

Message Text

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ORIGIN NEA-12

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AID: GMCCLOSKEY (INFO)

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R 162105 Z MAR 73

FM SECSTATE WASHDC

TO AMEMBASSY ISLAMABAD

INFO AMCONSUL KARACHI

AMCONSUL LAHORE

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E. O. 11652 N/ A

TAGS: EAGR, EIND, PK

SUBJECT: QAMARUL ISLAM ASKS EXXON CHEMICAL TO DOUBLE

PRODUCTION PAK FERTILIZER

1. VICE CHAIRMAN PLANNING COMMISSION QAMARUL ISLAM MET
OFFICIALS EXXON (ESSO) CHEMICAL, MARCH 14, AND OFFERED
EXPEDITE SETTLEMENT OF LONG PENDING FERTILIZER PRICING
PROBLEM IF COMPANY WOULD DOUBLE CAPACITY EXISTING PAK
FERTILIZER PLANT.

2. MESSRS. LAWRENCE AND LARSON, EXXON REPS, MET ISLAM IN
WASHINGTON AT HIS REQUEST. ISLAM SAID GOP WANTED CARRYOUT
MAJOR EXPANSION FERTILIZER CAPACITY. OUTLINED TENTATIVE
PLANS AS FOLLOWS:

A) NEW DAWOOD PLANT OF 600,000 TONS CAPACITY AT
COST \$140 MILLION INCLUDING PLANS TO EXPORT 200,000 TONS

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ANNUALLY TO CHINA. FINANCING UNCERTAIN.

B) MULTAN PLANT, EXPECTED COST \$75 MILLION. ISLAM ADDED GOP CONTINUING SEEK FINANCING FROM IBRD AND ABU DHABI FOR THIS UNIT. CLAIMS HAVE \$10 MILLION COMMITTED BY ABU DHABI.

C) FAUJI FOUNDATION PLANT PROPOSAL, STILL IN PRE-LIMINARY PLANNING STAGE.

D) " SMALL" \$3.8 MILLION PLANT TO BE ERECTED BY " JAFFAR" NEAR KARACHI.

3. ISLAM SAID GOP NOW SPENDING \$250,000 A DAY FOR FERTILIZER AND REALIZED MUST ALSO LOOK FOR ADDED PRODUCTION IN NEAR TERM 15 TO 36 MONTH PERIOD PRIOR TO ERECTION OF MAJOR UNITS CITED ABOVE. ISLAM SAID GOP WOULD OFFER EXXON PROMPT, " FAVORABLE" SETTLEMENT OF PRICING PROBLEM OF PAK FERTILIZER COMPANY PENDING SINCE DEVALUATION OF RUPEE IN MAY 1972 IF COMPANY WOULD DOUBLE SIZE OF EXISTING PLANT WITHIN NEXT 15 MONTHS. ISLAM ADDED GOP WOULD WANT TO BE PARTNER WITH EXXON BUT WOULD ALLOW FIRM TO HAVE MAJORITY EQUITY AND FULL MANAGERIAL CONTROL. FINANCING, ESTIMATED AT ABOUT \$40 MILLION, WOULD BE EXXON'S RESPONSIBILITY.

4. IN COURSE OF RESPONSE, CHARACTERIZED AS FRANK BUT CORDIAL, EXXON OFFICIAL LARSON REPORTEDLY MADE FOLLOWING POINTS:

A) EXXON OPERATIONS DECENTRALIZED THROUGHOUT WORLD AND INITIATIVE FOR ANY NEW INVESTMENT IN PAKISTAN MUST BE STRONGLY JUSTIFIED BY PAK FERTILIZER MANAGEMENT.

B) EXPERIENCE OF PAK FERTILIZER DURING PAST YEAR HAS BEEN DISAPPOINTING.

C) SETTLEMENT OF PRICE ISSUE SHOULD NOT BE LINKED TO PROPOSED NEW PROJECT.

D) EXXON, LIKE OTHER U. S. FIRMS, IS FACING " CAPITAL CRUNCH" AND BID FOR NEW INVESTMENT IN PAKISTAN WOULD HAVE TO COMPETE WITH HIGH PRIORITY EXXON PROJECTS, ESPECIALLY LIMITED OFFICIAL USE

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THOSE RELATED TO U. S. ENERGY CRISIS.

5. PARTICIPANTS REPORTEDLY AGREED TO DISCUSS SUBJECT
FURTHER AFTER CONSULTATIONS. ROGERS

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*** Current Handling Restrictions *** n/a

*** Current Classification *** LIMITED OFFICIAL USE

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